

**ONEKAMA TOWNSHIP
MANISTEE COUNTY
ONEKAMA, MICHIGAN**

**FINANCIAL STATEMENTS
MARCH 31, 2006**

**ONEKAMA TOWNSHIP
TABLE OF CONTENTS**

	<u>Page</u>
Auditing Procedures Report	i
Independent Auditor's Report	ii – iii
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	iv – v
Management Discussion and Analysis	vi – vii
Basic financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund financial Statements:	
Governmental Funds	
Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities	7
Notes to Financial Statements	8 - 15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Budgetary Comparison Schedule – Fire Fund	17
Budgetary Comparison Schedule – Northpoint Park Fund	18
Agency Fund Statement	
Statement of Changes in Assets and Liabilities – Current Tax Collection Fund	19

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Onekama Township	County Manistee
Fiscal Year End March 31, 2006	Opinion Date September 13, 2006	Date Audit Report Submitted to State September 28, 2006	

We affirm that:

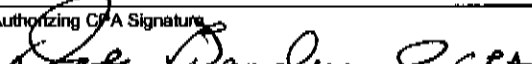
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | | |
|-------------------------------------|-------------------------------------|-----|---|
| YES | NO | | Check each applicable box below. (See instructions for further detail.) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 2. | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 3. | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. | The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. | A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. | The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 11. | The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. | The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. | The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Kalcher, Vanderwal & Torrey, P.C.		Telephone Number (231) 946-2300		
Street Address 928 S. Garfield Avenue, Suite 3		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Dale L. Vanderwal		License Number 11101

**KALCHER
VANDERWAL
& TORREY, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

DALE L. VANDERWAL, C.P.A.
LEE W. TORREY, C.P.A.
JOHN A. SPRATTO, C.P.A.
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY
MANISTEE

Of Counsel:
LEONARD R. KALCHER, C.P.A.

INDEPENDENT AUDITOR'S REPORT

September 13, 2006

To the Township Board
Onkama Township
Manistee County
Onkama, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Onkama Township, Manistee County, Onkama, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Onkama Township, Manistee County, Onkama, Michigan as of March 31, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2006, on our consideration of the Onkama Township, Manistee County, Onkama, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through viii and 16 through 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Onkama Township, Manistee County, Onkama, Michigan's basic financial statements. The Statement of Changes in Assets and Liabilities – Current Tax Collection Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Statement of Changes in Assets and Liabilities – Current Tax Collection Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kalcher, Vandermaas & Touy, P.C.

Certified Public Accountants

**KALCHER
VANDERWAL
& TORREY, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

DALE L. VANDERWAL, C.P.A.
LEE W. TORREY, C.P.A.
JOHN A. SPRATTO, C.P.A.
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY
MANISTEE

Of Counsel:
LEONARD R. KALCHER, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

September 13, 2006

To the Township Board
Onkama Township
Onkama, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the remaining aggregate remaining fund information of Onkama Township as of and for the year ended March 31, 2006, which collectively comprise Onkama Township's basic financial statements and have issued our report thereon dated September 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Onkama Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Onkama Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions noted are as follows:

- 1) With the small number of employees involved in the accounting function, there is a lack of segregation of duties.
- 2) We found a lack of proper classification of payroll and other expenses which prevents reliable comparisons to budgets.

- iv -

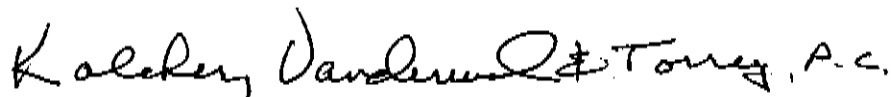
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Onkama Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described below:

The Township was in noncompliance with its' operating budget for the General Fund and the Fire Fund.

This report is intended for the information of the Township Board, management, and the Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

ONEKAMA TOWNSHIP

Management's Discussion and Analysis

The Management's Discussion and Analysis report of Onekama Township covers the Township's financial performance during the fiscal year ended March 31, 2006.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

THE TOWNSHIP AS A WHOLE:

The Township's combined net assets increased 16.8% from a year ago – increasing from \$978,868 to \$1,143,305, due in part to grants received for equipment.

This year was the first year for the implementation of GASB 34 with the resulting changes in the financial position as reflected on the Governmental Funds Balance Sheet, versus the Statement of Net Assets.

THE TOWNSHIP'S FUNDS:

The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund and the Fire Operating Fund pay for most of the Township's governmental services.

FUND BUDGETARY HIGHLIGHTS:

Over the course of the year the Township Board was able to maintain the Township departments within their prescribed budgets until the end of the year when, as the budget report shows, some items were overspent due to unexpected year end expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2005, the Township had \$499,063 invested in a broad range of capital assets, including building and fire equipment. At March 31, 2006, this investment amounted to \$634,223, the increase due, in large part, to purchase of fire fighting equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

Oneskama Township's 2006-2007 budget calls for voted millage of 1.5 mils for the General Fund, 1 mil for Fire Fund, 1 mil for Road Construction/Maintenance, all subject to the Headlee Rollback. Monies generated by these millages go to provide state mandated services, spring and fall trash collection, clerical services and custodial services.

The above can be accomplished by voted millage and the growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value by less than inflation. The mathematical result of this is that the total taxable value for the Township will grow less than inflation, before considering new property additions.

GENERAL OVERVIEW OF THE ACCOMPLISHMENTS OF ONEKAMA TOWNSHIP IN THE 2005-2006 FISCAL YEAR:

Upgraded the meeting facilities and offices with new furniture, carpeting, painting of walls.

Purchased fireproof file cabinets.

Purchased a new fire truck with help from a grant.

Purchased computer program to assist with Clerk and Treasurer's bookkeeping duties.

Approved Mutual Aid Agreement "Fire/Rescue" throughout the county.

Improvements made to North Point Park.

Improving existing parks, such as Glen Park, Feldhak Park, public accesses.

FUTURE PROJECTS:

Repairs/Maintenance to Village Streets and Township Roads using the Township operation voted one mil.

CONTACTING THE TOWNSHIP'S MANAGEMENT:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (231) 889-3308.

**ONEKAMA TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
MARCH 31, 2006**

<u>ASSETS</u>	<u>Governmental Activities</u>
<u>Current Assets:</u>	
Cash	\$ 514,733
Internal balances	4,143
Total current assets	<u>\$ 518,876</u>
<u>Non-Current Assets</u>	
Land	\$ 183,556
Building	185,000
Land improvements	85,261
Equipment and furnishings	633,145
	<u>\$ 1,086,962</u>
Less: Accumulated depreciation	(452,739)
Total non-current assets	<u>\$ 634,223</u>
<u>Total Assets</u>	<u>\$ 1,153,099</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Accounts payable	\$ 6,199
Accrued wages	3,595
Total current liabilities	<u>\$ 9,794</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	\$ 634,223
Restricted for fire protection	186,181
Restricted for recreation and culture	11,389
Unrestricted	311,512
	<u>\$ 1,143,305</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 1,153,099</u>

The accompanying notes are an integral part of these financial statements.

**ONEKAMA TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes In Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
General government	\$ 183,453	\$ 16,789	\$ 350	\$ -	\$ (166,314)
Public safety	96,136	11,002	-	95,787	10,653
Public works	204	-	-	-	(204)
Community and economic development	31,176	-	-	-	(31,176)
Recreation and culture	9,730	-	\$ -	\$ 7,600	(2,130)
Total	<u>\$ 320,699</u>	<u>\$ 27,791</u>	<u>\$ 350</u>	<u>\$ 103,387</u>	<u>\$ (189,171)</u>
 General Revenues:					
					\$ 268,347
Taxes					62,101
State shared revenues					10,132
Other					13,028
Unrestricted investment earnings					<u>\$ 353,608</u>
Total general revenues					
 Change in Net Assets					 \$ 164,437
 Net assets - beginning of year					 \$ 978,868
 Net Assets - End of Year					 <u>\$ 1,143,305</u>

The accompanying notes are an integral part of these financial statements.

**ONEKAMA TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
MARCH 31, 2006**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Northpoint Park Fund</u>	<u>Totals</u>
<u>Assets</u>				
Cash	\$ 316,577	\$ 186,767	\$ 11,389	\$ 514,733
Due from other funds	4,301	-	-	4,301
<u>Total Assets</u>	<u>\$ 320,878</u>	<u>\$ 186,767</u>	<u>\$ 11,389</u>	<u>\$ 519,034</u>
<u>Liabilities</u>				
Accounts payable	\$ 5,771	\$ 428	\$ -	\$ 6,199
Accrued wages	3,595	-	-	3,595
Due to other funds	-	158	-	158
Total liabilities	<u>\$ 9,366</u>	<u>\$ 586</u>	<u>\$ -</u>	<u>\$ 9,952</u>
<u>Fund Balance</u>				
Reserved for:				
Fire protection	\$ -	\$ 86,181	\$ -	\$ 86,181
Park improvement	-	-	10,620	10,620
Unreserved:				
Designated for:				
Road improvements	147,000	-	-	147,000
Building improvements	10,000	-	-	10,000
Equipment replacement		100,000	-	100,000
Park maintenance	-	-	769	769
Undesignated	154,512	-	-	154,512
Total fund balance	<u>\$ 311,512</u>	<u>\$ 186,181</u>	<u>\$ 11,389</u>	<u>\$ 509,082</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 320,878</u>	<u>\$ 186,767</u>	<u>\$ 11,389</u>	<u>\$ 519,034</u>

The accompanying notes are an integral part of these financial statements.

ONEKAMA TOWNSHIP
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balance - Governmental Funds	\$ 509,082
---	------------

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capitalized assets used in governmental activities are not financial resources
and are not reported in governmental funds.

Cost of capital assets:

Land	\$ 183,556	
Building	185,000	
Land improvements	85,261	
Equipment and furnishings	633,145	
Less: Accumulated depreciation	<u>(452,739)</u>	<u>634,223</u>

Net Assets of Governmental Activities	<u>\$ 1,143,305</u>
---------------------------------------	---------------------

The accompanying notes are an integral part of these financial statements.

**ONEKAMA TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Northpoint Park Fund</u>	<u>Totals</u>
<u>Revenues</u>				
Taxes	\$ 167,648	\$ 100,699	\$ -	\$ 268,347
Federal grant	-	53,685	-	53,685
State grants	62,101	-	-	62,101
Charges for services	16,789	11,002	-	27,791
Local grants and donations	350	34,602	7,600	42,552
Investment income	7,035	5,993	-	13,028
Other income	10,132	-	-	10,132
Total revenues	<u>\$ 264,055</u>	<u>\$ 205,981</u>	<u>\$ 7,600</u>	<u>\$ 477,636</u>
<u>Expenditures</u>				
General government				
Legislative	\$ 59,283	\$ -	\$ -	\$ 59,283
Chief Executive	8,334	-	-	8,334
Financial and Tax Administration	93,164	-	-	93,164
Other General Government	29,246	-	-	29,246
Public Safety	1,392	206,500	-	207,892
Public Works	204	-	-	204
Community and Economic Development	31,176	-	-	31,176
Recreation and Culture	5,040	-	14,020	19,060
Total expenditures	<u>\$ 227,839</u>	<u>\$ 206,500</u>	<u>\$ 14,020</u>	<u>\$ 448,359</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>\$ 36,216</u>	<u>\$ (519)</u>	<u>\$ (6,420)</u>	<u>\$ 29,277</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>\$ 36,216</u>	<u>\$ (519)</u>	<u>\$ (6,420)</u>	<u>\$ 29,277</u>
Fund balance - beginning of year	<u>275,296</u>	<u>186,700</u>	<u>17,809</u>	<u>479,805</u>
<u>Fund Balance - End of Year</u>	<u>\$ 311,512</u>	<u>\$ 186,181</u>	<u>\$ 11,389</u>	<u>\$ 509,082</u>

The accompanying notes are an integral part of these financial statements.

ONEKAMA TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Net Change in Fund Balance - Total Governmental Funds	\$ 29,277
---	-----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. In the Statement of Activities, these assets are depreciated over their estimated useful lives.

Depreciation	\$ (36,475)	
Capital outlay	<u>164,135</u>	127,660

Governmental funds do not report the donation of capital assets	<u>7,500</u>
---	--------------

Changes in Net Assets - Governmental Activities	<u>\$ 164,437</u>
---	-------------------

The accompanying notes are in integral part of these financial statements.

ONEKAMA TOWNSHIP
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2006

	<u>Agency Funds</u>
<u>Assets</u>	
Cash	<u>\$ 4,143</u>
<u>Liabilities</u>	
Due to other funds	<u>\$ 4,143</u>

The accompanying notes are an integral part of these financial statements.

**ONEKAMA TOWNSHIP, MANISTEE COUNTY
ONEKAMA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Onekama Township is a general law township located in Manistee County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

Government-Wide and Fund Financial Statements

During the fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Investment in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statements of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**ONEKAMA TOWNSHIP, MANISTEE COUNTY
ONEKAMA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Measurement Focus, Basis of Accounting and Basis of Presenting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

**ONEKAMA TOWNSHIP, MANISTEE COUNTY
ONEKAMA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Onekama Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Northpoint Park Fund* accounts for revenue sources that are legally restricted to expenditures for the park.

Additionally Onekama Township reports the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity. The only agency fund is the Current Tax Collection Fund.

Assets, Liabilities and Equity

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

- (1) The Township Board has authorized the Township Treasurer to invest in the following:
 - (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution with a location within the State of Michigan.
 - (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
 - (d) Repurchase agreements consisting of instruments listed in subdivision (a).
 - (e) Banker's acceptances of United States banks.
 - (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

**ONEKAMA TOWNSHIP, MANISTEE COUNTY
ONEKAMA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (g) Mutual funds registered under the Investment Company Act of 1940, Title 1 of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- (h) Investment pools organized under the Local Government Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and school taxes are levied and are due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations.

The 2005 taxable valuation of Onekama Township totaled \$106,548,859, on which ad valorem taxes levied consisted of 1.2018 mills for the Onekama Township operating purposes and .9293 mills for Onekama Township fire protection.

Inventories

Inventories are not significant and are expensed as acquired.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and

**ONEKAMA TOWNSHIP, MANISTEE COUNTY
ONEKAMA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and Land improvements	20
Vehicles	10
Equipment and furnishings	5 – 7

Onekama Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ONEKAMA TOWNSHIP, MANISTEE COUNTY
ONEKAMA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 1, 2005, and as amended by the Township Board on March 7, 2006.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Clerk	\$ 23,000	\$ 26,903
Board of Review	2,300	2,442
Treasurer	29,000	31,065
Liquor Control Enforcement	1,350	1,392
Planning Commission	15,000	17,840
Land Use Administration	12,500	12,721
Fire Fund	140,600	206,500

These overages were funded by greater than anticipated revenues and available fund balance.

NOTE 3 – DEPOSITS

At year end, the Township had cash on deposit with National City Bank, Royal Oak, Michigan, West Shore Bank, Ludington, Michigan and Northwestern Bank, Manistee, Michigan. Of the amounts on deposit, \$320,298 was uninsured and uncollateralized. Management evaluates the institutions in which the Township deposits its funds and assesses the level of risk associated with the institution. Management believes that the Township is not exposed to any significant credit risk on its cash deposits.

**ONEKAMA TOWNSHIP, MANISTEE COUNTY
ONEKAMA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 181,540	\$ 2,016	\$ -	\$ 183,556
 Capital Assets Being Depreciated:				
Buildings	\$ 185,000	\$ -	\$ -	\$ 185,000
Land improvements	71,241	14,020	-	85,261
Equipment and Furnishings	<u>477,546</u>	<u>155,599</u>	<u>-</u>	<u>633,145</u>
 Subtotal	<u>\$ 733,787</u>	<u>\$ 169,619</u>	<u>\$ -</u>	<u>\$ 903,406</u>
 Less: Accumulated Depreciation for:				
Buildings	\$ (61,358)	\$ (3,700)	\$ -	\$ (65,058)
Land improvements	(2,053)	(4,690)	-	(6,743)
Equipment and Furnishings	<u>(352,853)</u>	<u>(28,085)</u>	<u>-</u>	<u>(380,938)</u>
 Subtotal	<u>\$ (416,264)</u>	<u>\$ (36,475)</u>	<u>\$ -</u>	<u>\$ (452,739)</u>
 Net Capital Assets Being Depreciated	<u>\$ 317,523</u>	<u>\$ 133,144</u>	<u>\$ -</u>	<u>\$ 450,667</u>
 Governmental Activities Capital Total:				
Capital Assets – Net of Depreciation	<u>\$ 499,063</u>	<u>\$ 135,160</u>	<u>\$ -</u>	<u>\$ 634,223</u>

**ONEKAMA TOWNSHIP, MANISTEE COUNTY
ONEKAMA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$	13,279
Public Safety		23,196
	\$	<u>36,475</u>

Construction Commitments:

The Township has no outstanding construction commitments as of March 31, 2006.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, TRANSFERS

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 4,301	\$ -
Fire Fund	-	158
Fiduciary Fund –Current Tax Collection Fund	-	4,143
	<u>\$ 4,301</u>	<u>\$ 4,301</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

NOTE 6 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, and natural disasters for which the Township carries commercial insurance. Liabilities in excess of commercial insurance, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the past three years.

**ONEKAMA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Revenues</u>				
Taxes	\$ 167,300	\$ 167,300	\$ 167,648	\$ 348
State grants	55,000	55,000	62,101	7,101
Charges for services	5,300	5,300	16,789	11,489
Local grants and donations	-	-	350	350
Investment/royalty income	12,000	12,000	17,167	5,167
Total revenues	<u>\$ 239,600</u>	<u>\$ 239,600</u>	<u>\$ 264,055</u>	<u>\$ 24,455</u>
<u>Expenditures</u>				
General government				
Legislative				
Township Board	\$ 65,000	\$ 65,000	\$ 59,283	\$ 5,717
Chief Executive				
Supervisor	9,000	9,000	8,334	666
Financial and Tax Administration				
Assessor	33,500	33,500	32,754	746
Clerk	22,000	23,000	26,903	(3,903)
Board of review	1,500	2,300	2,442	(142)
Treasurer	28,000	29,000	31,065	(2,065)
Other General Government				
Election	8,500	8,500	2,682	5,818
Township Hall	29,000	29,000	19,289	9,711
Other Properties	25,000	25,000	3,316	21,684
Cemetery	5,000	5,000	3,959	1,041
Public Safety				
Liquor Control Enforcement	1,350	1,350	1,392	(42)
Public Works				
Roads	70,000	70,000	-	70,000
Portage Lake Study	500	500	204	296
Community and Economic Development				
Planning Commission	15,000	15,000	17,840	(2,840)
Appeals Board	2,500	2,500	615	1,885
Land Use Administrator	12,000	12,500	12,721	(221)
Recreation and Culture				
Summer Recreation/MRA	4,150	4,150	3,019	1,131
Park Activities	12,000	12,000	2,021	9,979
Contingencies	30,000	26,700	-	26,700
Total expenditures	<u>\$ 374,000</u>	<u>\$ 374,000</u>	<u>\$ 227,839</u>	<u>\$ 146,161</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>\$ (134,400)</u>	<u>\$ (134,400)</u>	<u>\$ 36,216</u>	<u>\$ 170,616</u>
Fund balance - beginning of year	275,296	275,296	275,296	-
<u>Fund Balance - End of Year</u>	<u>\$ 140,896</u>	<u>\$ 140,896</u>	<u>\$ 311,512</u>	<u>\$ 170,616</u>

**ONEKAMA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Revenues</u>				
Taxes	\$ 115,500	\$ 115,500	\$ 100,699	\$ (14,801)
Federal grant	-	-	53,685	53,685
Charges for services	12,000	12,000	11,002	(998)
Local grants and donations	2,500	2,500	34,602	32,102
Investment/royalty income	1,000	1,000	5,993	4,993
Total revenues	<u>\$ 131,000</u>	<u>\$ 131,000</u>	<u>\$ 205,981</u>	<u>\$ 74,981</u>
<u>Expenditures</u>				
Public Safety	<u>\$ 140,600</u>	<u>\$ 140,600</u>	<u>\$ 206,500</u>	<u>\$ (65,900)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>\$ (9,600)</u>	<u>\$ (9,600)</u>	<u>\$ (519)</u>	<u>\$ 9,081</u>
Fund balance - beginning of year	<u>186,700</u>	<u>186,700</u>	<u>186,700</u>	<u>-</u>
<u>Fund Balance - End of Year</u>	<u>\$ 177,100</u>	<u>\$ 177,100</u>	<u>\$ 186,181</u>	<u>\$ 9,081</u>

**ONEKAMA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - NORTHPOINT PARK FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal grant	-	-	-	-
Charges for services	-	-	-	-
Local grants and donations	2,000	2,000	7,600	5,600
Investment/royalty income	-	-	-	-
Total revenues	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 7,600</u>	<u>\$ 5,600</u>
<u>Expenditures</u>				
Recreation and Culture	<u>\$ 17,809</u>	<u>\$ 17,809</u>	<u>\$ 14,020</u>	<u>\$ 3,789</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>\$ (15,809)</u>	<u>\$ (15,809)</u>	<u>\$ (6,420)</u>	<u>\$ 9,389</u>
Fund balance - beginning of year	<u>17,809</u>	<u>17,809</u>	<u>17,809</u>	<u>-</u>
<u>Fund Balance - End of Year</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 11,389</u>	<u>\$ 9,389</u>

ONEKAMA TOWNSHIP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Balance 4/1/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/2006</u>
<u>ASSETS</u>				
Cash	\$ -	\$ 3,567,134	\$ 3,562,991	\$ 4,143
Due from others	-	981	981	-
Due from other governments	<u>8,472</u>	<u>-</u>	<u>8,472</u>	<u>-</u>
<u>Total Assets</u>	<u>\$ 8,472</u>	<u>\$ 3,568,115</u>	<u>\$ 3,572,444</u>	<u>\$ 4,143</u>
<u>LIABILITIES</u>				
Bank overdraft	\$ 1,092	\$ -	\$ 1,092	\$ -
Due to other funds	7,380	2,000	5,237	4,143
Due to other governments	<u>-</u>	<u>3,555,681</u>	<u>3,555,681</u>	<u>-</u>
<u>Total Liabilities</u>	<u>\$ 8,472</u>	<u>\$ 3,557,681</u>	<u>\$ 3,562,010</u>	<u>\$ 4,143</u>

**KALCHER
VANDERWAL
& TORREY, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

DALE L. VANDERWAL, C.P.A.
LEE W. TORREY, C.P.A.
JOHN A. SPRATTO, C.P.A.
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY
MANISTEE

Of Counsel:
LEONARD R. KALCHER, C.P.A.

September 13, 2006

To the Township Board
Onkama Township
Manistee County
Onkama, Michigan

In planning and performing our audit of the financial statements of Onkama Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Onkama Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting function of the Township makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

In our testing we found that your accounting system for 2005/2006 accumulated all your payroll related expenses into one account rather than accounting for them in the various budgeted line items. This makes it very difficult to monitor your actual expenses against the budget as adopted. We recommend that you adjust your system to properly allocate these expenses.

We also found that there were numerous cash disbursements not properly classified. This too, would make comparisons to budget difficult.

Matters For Further Consideration

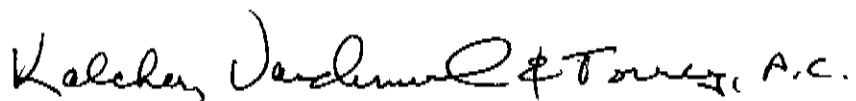
We found that a number of new accounts had been added to your general ledger without a corresponding account number. We also found there were a number of account numbers used which do not agree with the State of Michigan Uniform Chart of Accounts. We recommend you update your general ledger system to address these issues.

Township Board
Onekama Township
September 13, 2006
Page (2)

We also recommend more completely segregating the types of property taxes collected to better facilitate comparisons.

We also recommend you consider budgeting for capital outlay items as a separate budget line item to better distinguish between current operating expenses and long-lived expenditures.

This report is intended for the information and use of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Kalsch, J. J. & Toney, A.C." with a stylized flourish at the end.

Certified Public Accountants